ELEVENTH

MATTAGAMI LAKE MINES LIMITED

(NO PERSONAL LIABILITY)

Corp report

annual report

1969

MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

ANNUAL MEETING — Mattagami Lake Mines Limited. Le Chateau Champlain, Montreal, Quebec, on Tuesday the 14th day of April, 1970, at 11:00 o'clock in the forenoon (Montreal time).

MATTAGAMI LAKE MINES LIMITED *(Incorporated under the laws of Quebec)*
(NO PERSONAL LIABILITY)

HEAD OFFICE: MATAGAMI, QUEBEC

EXECUTIVE OFFICE	44 King St. West, Toronto, Ontario
MINE OFFICE	Matagami, Quebec
MINE MANAGER	M. W. AIRTH
AUDITORS	PEAT, MARWICK, MITCHELL & CO. Toronto, Ontario
REGISTRAR AND TRANSFER AGENT	CANADA PERMANENT TRUST COMPANY Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montreal, St. John, N.B., Halifax, Charlottetown, St. John's, Nfld.
SOLICITORS	MILLER, THOMSON, HICKS, SEDGEWICK, LEWIS & HEALY
BANKERS	CANADIAN IMPERIAL BANK OF COMMERCE THE BANK OF NOVA SCOTIA

DIRECTORS	J. M. R. CORBET	Toronto
	R. G. DUTHIE	Vancouver
	F. E. HALL	Toronto
	R. LETOURNEAU	Quebec
	T. H. McCLELLAND	Vancouver
	R. V. PORRITT	Toronto
	J. B. REDPATH	Toronto
	W. S. ROW	Toronto
	W. DENT SMITH	Toronto

OFFICERS	W. S. ROW	President
	T. H. McCLELLAND	Vice-President
	R. C. ASHENHURST	Secretary and Treasurer
	B. C. BONE	Assistant Treasurer
	B. H. GROSE	Assistant Secretary

REPORT OF THE DIRECTORS

To the Shareholders:

Your Directors submit herewith the Eleventh Annual Report of your Company for the year ended December 31, 1969 which includes the Financial Statements, the Auditors' Report thereon and the Report of the Manager.

Ore milled during the year was 1,413,600 tons up from 1,352,700 in 1968. The marginally lower grade of zinc contained in the ore was more than offset by the increased copper content and higher metal prices. Net income was $9,094,700 ($1.38 per share) up from $7,258,783 ($1.10 per share) in 1968, after providing for an increase in income and production taxes of $2,525,000 and the Company's share of net losses of partly-owned subsidiaries amounting to $498,000.

Interim dividends of 30¢ per share were paid quarterly throughout the year and an extra 30¢ was paid in December, for a total of $1.50 per share.

A further dividend of 30¢ per share has been declared payable on the 23rd of March, 1970.

AT THE MINE

Mining operations were normal during the year. Ore reserves were depleted by 1,142,916 tons through the milling of 1,413,651 tons and the addition of 270,735 tons of new ore.

ZINC REDUCTION PLANT

The Canadian Electrolytic Zinc (C.E.Z.) plant produced a record 129,300 tons of slab zinc and 625,000 pounds of cadmium. Through its 62.5% interest in C.E.Z., Mattagami continues to share in the strong economic advantage of ownership of the means for metal production from zinc concentrates.

On July 1, 1968 C.E.Z. assumed control and management of St. Lawrence Fertilizers. Plant efficiency and costs have improved but fertilizer markets are still depressed as a result of excess production capacity in the industry generally. Some strengthening in prices is looked for but the fertilizer plant must be regarded primarily as an outlet for by-product acid from the zinc plant.

The General Smelting Company of Canada (Genco), a secondary metal plant wholly owned by C.E.Z. had a profit of $30,149 for the year. In the early part of the year the company's earnings were affected by the aftermath of the strike in 1968, while in the latter part of the year the slowdown of the automotive industry reduced markets for Genco's two main products, aluminum alloys and zinc dust used in zinc rich paints.

EXPLORATION

In 1969 your Company budgeted $400,000 for outside exploration. Expenditures were within budget until a major economic deposit of zinc, copper and silver, with less important amounts of lead and gold, was discovered in northwestern Ontario on land owned by the Abitibi Paper Company. About $184,600, outside of the exploration budget, was spent during the last quarter in developing this discovery.

Exclusive rights to explore for and develop minerals on about 36 square miles of Abitibi Block No. 7 were obtained through an agreement with Abitibi which provides that any orebody found on Block No. 7 will be transferred to a new company owned 60% by Mattagami and 40% by Abitibi.

The first drill hole on Anomaly No. 16 of Block No. 7 intersected ore just before the end of September. The results of the first 26 holes indicate an ore zone which is expected to show 10 to 15 million tons in the first 600 feet below surface, when sufficient drill results make a proper ore estimate possible a few months hence.

While ore grade cannot yet be estimated, it is clear that a profitable mine will be established on this deposit. Open pit mining appears possible for the first few years and a target date for production will be as early as possible in 1972.

Currently six drills are on the ore zone. More drills are being acquired to test drill plant site, etc. A contractor is clearing some 140 acres for the open pit and plant sites. Negotiations and engineering studies are under way regarding a permanent access road, railway spur line and power line. Fortunately the discovery is only about eleven miles from both Ontario Highway 599 and from the Canadian National Railway near Valora.

Initial laboratory concentrating tests on a composite ore sample from several drill cores produced encouraging results. Indications are that a high grade zinc concentrate can be made and that high percentages of both the silver and copper will report in a bulk copper-lead concentrate.

Early in 1969 Mattagami flew a geophysical survey over an extensive section of the Sturgeon Lake area and then staked on anomalies. It holds mineral rights on 568 claims in addition to the Abitibi block. The claims are also being explored.

METAL MARKETS

Zinc

World mine production in 1969 increased 7½% to 4,700,000 tons and metal production 10% to 4,500,000 tons. Demand was strong in all world markets and reached 4,400,000 tons including increases of 10% in Europe and 11% in Japan.

Stocks were rising at the year-end as U.S. anti-inflationary policies affected automotive production. The surplus smelter capacity resulting from new facilities could increase further in 1970 if production is curtailed in response to more moderate growth in consumption.

The U.S. and Canadian prices increased three times in 1969 from 13½¢ to 15½¢ per pound. The overseas price rose from the equivalent of 12¼¢ to 14¢ U.S. per pound.

Copper

World mine and refined production were both up 11% to new records due to a strike-free year in the U.S.A. and substantially increased output overseas. Refined deliveries increased even more with the principal gains overseas.

The U.S. producers price moved up in five steps from 42¢ to 56¢ during the year, while the overseas price moved from 54¢ U.S. in January to 80¢ in December. The Canadian domestic price increased from 45¢ to 57¢ and then to 66¢ effective January 2, 1970 following the Government's directive to hold substantially greater tonnage in Canada for domestic use. The last increase of 9¢ was suspended until March 1 at the suggestion of the Government, but simultaneously the tonnage obligation for January and February was adjusted downwards to the level of the first half 1969 monthly average. The Canadian price during the suspension period is 3½¢ C.F. per pound below the U.S. producers, 12¢ below the U.S. brass mill product base and some 20-25¢ below the overseas price.

The Directors acknowledge to Mr. M. W. Airth, Manager of Mattagami, to Mr. K. H. Heino, Manager of Canadian Electrolytic Zinc, and to their staff members their appreciation for the way in which they discharged their responsibilities during the year. They also congratulate Mr. Airth and the exploration staff upon their success in making the Sturgeon Lake discovery.

On behalf of the Board,

W. S. Row

President.

Toronto, Ontario,
February 19, 1970.

REPORT OF THE MANAGER TO

The President and Directors, MATTAGAMI LAKE MINES LIMITED

Dear Sirs:

Operations at the property during the year ended December 31, 1969 are reviewed in the following report.

	1969	1968
Ore Milled dry tons	1,413,651	1,363,705
Daily rate	3,873	3,726
Calculated Grade of Ore Milled		
Zinc %	9.6	9.8
Copper %	0.62	0.59
Gold oz/ton	0.011	0.011
Silver oz/ton	1.02	0.80
Zinc Concentrate Produced		
Short dry tons	232,125	230,830
Grade Zinc %	52.7	52.7
Copper Concentrate Produced		
Short dry tons	31,650	29,832
Grade Copper %	20.3	19.9
Gold oz/ton	0.133	0.143
Silver oz/ton	9.93	7.91

The zinc concentrate was shipped to the Canadian Electrolytic Zinc plant at Valleyfield, Quebec, to Quebec City for export overseas, and to the United States.

The copper concentrate was all shipped to the smelter of Noranda Mines Limited.

MILLING

The mill operated 98.2% of the possible time and the recoveries were as follows:

	1969	1968
Zinc %	90.4	90.7
Copper %	73.5	74.0

Concentrate grades were essentially unchanged from 1968.

MINING

Mine development was continued in stope and pillar preparation in both No. 1 and No. 2 orebodies, with a concentrated effort in No. 2 orebody to bring it into early production.

In No. 1 orebody development was also directed towards the preparation for mining of pillars in the upper levels and for stoping the ore below the 750-foot level by the Load-Haul-Dump method.

Excavation of the crusher room and conveyorway on the 960 level was well advanced by year-end. This installation is required to handle ore lying below the 750-foot level.

The drive into the low grade Ni-Cu zone was advanced till close to year's end. The purpose of this work was to provide diamond drill stations to test the zone. Diamond drilling will commence early in 1970, and further work in this area will depend upon the results of this drilling.

SUMMARY OF DEVELOPMENT FOR 1969

	Level Development		Stope Development		Diamond Drilling	
Level	Drifts & Raises Feet	Slash Cu Feet	Advance Feet	Slash Cu Feet	No. of Holes	Total Feet
150	409	850	941	5,045	—	—
350	472	640	1,473	10,205	83	6,783
550	219	100	5,103	13,030	9	795
750	3,166	62,845	6,537	55,380	51	4,031
870	1,022	48,495	325	6,000	—	—
960	869	29,105	418	—	9	7,179
TOTAL	6,157	142,035	14,797	89,660	152	18,788

Extension rod drilling amounted to 491,087 feet of two-inch diameter hole, and at year-end there was a drilled off tonnage in stopes and pillars of 1,108,350 at 10.2% Zn. and 0.55% Cu.

ORE RESERVE

The proven ore above the 960 level, calculated to mining outlines, now stands as follows for the No. 1 orebody:

Tons	Zinc %	Copper %	Gold Oz/Ton	Silver Oz/Ton
15,464,711	9.6	0.69	0.012	1.08

In the No. 2 orebody the ore reserves calculated to mining outline, are as follows:

Tons	Zinc %	Copper %	Gold Oz/Ton	Silver Oz/Ton
1,781,243	9.7	0.67	0.013	1.07

Total ore reserves in both Nos. 1 and 2 orebodies, and without allowance for dilution, are as follows:

Tons	Zinc %	Copper %	Gold Oz/Ton	Silver Oz/Ton
17,245,954	9.6	0.69	0.012	1.08

Ore reserves show depletion by 1,142,916 tons after milling 1,413,651 tons and the addition of 270,735 tons of new ore.

FILLING

During the year 750,700 tons of classified tailings fill and 252,970 tons of pit sand were placed for backfilling completed stopes. A grand total of 3,157,474 tons of backfill has been placed to date. There are now 21 stopes filled, 11 filling and 2 stoping areas being prepared for fill.

The pit sand was placed directly into the empty stopes through 8-inch diameter holes drilled from surface during the summer months.

PILLAR EXTRACTION

During the year 26.1% of the ore mined was produced from pillars. The first pillar mined from between blocks of unconsolidated fill was completed during the year. The extraction was considered to be successful. A second pillar is being readied for blasting between filled stopes; however, Load-Haul-Dump units will be used for the extraction.

SURFACE EXCAVATION

The removal of overburden over the southeastern end of the No. 1 orebody continued during the year. At

year-end 1,000,000 cubic yards had been removed. Over the next year the remainder of the excavation, about 900,000 cubic yards, should be completed. This will allow the mining of stoping areas in the extreme eastern end of No. 1 orebody by the middle of 1970. These areas contain approximately 4,000,000 tons of ore.

DIAMOND DRILLING

Surface:

Five surface holes were drilled in the area southeast of the No. 2 orebody to check for possible small ore lenses at the andesite-rhyolite contact. Low metal values over narrow widths were encountered at the contact.

Underground:

Five deep holes, totalling 6,092 feet, were drilled from the 960 level during the year. Three holes explored the main shear zone well below the No. 1 orebody. Two holes were drilled south, parallel to and at a distance of 300 feet below the main tuffite horizon. No significant values were returned.

Ore definition drilling was carried out in the Nos. 1 and 2 orebodies.

OUTSIDE EXPLORATION PROGRAMME

The Company carried on an active programme of outside exploration during 1969, the second full year of its exploration activity. Work was in the Bethoulat Lake and Miquelon areas of Quebec and in the Timmins, Temagami and Sturgeon Lake areas of Ontario. Nothing of economic interest was located other than in the Sturgeon Lake area.

An economic deposit containing gold, silver, zinc, copper and lead was discovered in the Sturgeon Lake area of northwestern Ontario, about equidistant from the towns of Sioux Lookout to the northwest and Ignace to the southwest, and within a 36 square mile section of Block No. 7 of the Abitibi Paper Company Limited, with whom the Company holds a prospecting and development agreement, which provides that any commercial orebody found will be transferred to a company owned 60% by Mattagami and 40% by Abitibi.

The Sturgeon Lake area had been previously selected by the Company's exploration team as worthy of concentrated prospecting and during the late winter of 1969 an airborne geophysical survey was carried out over a large section of the favourable ground. The more promising anomalies located by airborne methods were confirmed by ground surveys and protected by staking. The Company holds 568 claims in several different groups in the Sturgeon Lake area, which together with the Abitibi ground, covers about 14 miles of favourable strike length.

Drilling on Anomaly 16 of Block No. 7 commenced in late September, 1969 and by year-end 14 holes totalling 11,786 feet, had been completed in the ore zone.

As of this date, February 10, 1970 assays have been received from 26 holes drilled on section lines spaced at intervals of 200 feet. (Intermediate sections will be drilled later.) These show a very strongly mineralized ore zone having a length of 1,800 feet, widths varying from a few feet to a maximum of at least 300 feet and with depth as yet undetermined. It is apparent that when an ore estimate is possible, a few months from now, it will probably show something in the order of 10 to 15 million tons within a depth of about 600 feet.

While an average grade of ore cannot be estimated at this time, it is clear that a profitable mining operation will be established on this ore deposit. Target date for production could be in 1972.

PERSONNEL

The average number of employees during the year was 447, an increase of 8 over the 1968 average.

Operating efficiency remained nearly constant at 12.7 tons milled per man shift worked, compared to 12.8 tons per man shift in 1968.

The availability of experienced labour deteriorated during the year, necessitating intensive on-the-job training of new employees. Personnel turnover increased to 6.2% per month of the work force compared to 4.8% in 1968. At the year end 69% of the employees had seniority of one year or more.

The accident record in 1969 showed a pronounced improvement over that of 1968. There were 4 compensable injuries during the year which resulted in a compensable rate of 4.2 per million man hours worked, as compared to 14.2 for the industry in the Province of Quebec.

Labour relations were harmonious during the year.

GENERAL

As in past years there was continuing growth in the Town of Matagami and to the services which it provides.

The Isle-Dieu Hospital, of 22 beds, was placed in operation in July to the great relief of the entire population. The modern hospital is well equipped to take care of most of the medical needs of the community.

A permanent sawmill, capable of producing 30,000,000 board feet dressed lumber a year, was located near the industrial rail siding and its woodlands operation provides work for about 125 men.

One of the highlights of the year was the official dedication of the Matagami Community Church by the Roman Catholic Bishop of Amos, the Primate of the Anglican Church of Canada and the Moderator of the United Church of Canada. This was a most impressive service and unique in Canada.

The four-hole golf course was expanded to nine holes during the summer of 1969 and supplied recreation to a greatly increased membership.

The employees' Recreation Association enjoyed another successful year.

Once again I wish to acknowledge with thanks the assistance and support of the President, Officers and Directors of the Company.

And in conclusion I take great pleasure in acknowledging the hard work, loyalty and co-operation of the staff and employees throughout the year.

M W Airth

M. W. AIRTH, P.Eng.,
Mine Manager.

Matagami, Quebec,
February 10, 1970.

BALANCE SHEET -

ASSETS

	1969	1968
Current assets:		
Cash and short-term deposits	$11,726,018	10,605,420
Settlements receivable	3,510,302	2,867,355
5% Refundable tax	53,600	562,819
Other accounts receivable	942,523	652,203
Concentrates and metal at reduction plants and in transit at estimated net realizable value	8,973,217	7,395,780
Prepaid expense and deposits	108,827	137,077
	25,314,487	22,220,654
Fixed assets, at cost less accumulated depreciation:		
Buildings, plant and equipment:		
Mine site	19,769,006	19,299,183
Zinc plant	18,977,520	20,298,973
	38,746,526	39,598,156
Less accumulated depreciation	20,553,894	17,194,948
	18,192,632	22,403,208
Mining property and rights	2,503,021	2,503,021
Land — zinc plant	85,640	85,640
	20,781,293	24,991,869
Investments:		
In partly owned subsidiaries (note 1):		
Shares	947,666	947,132
Advances	3,999,264	2,848,036
	4,946,930	3,795,168
In other companies, at cost less amounts written off	234,881	117,450
	5,181,811	3,912,618
Other assets:		
Preproduction and development expenses at cost less amounts written off	2,298,358	2,303,150
5% Refundable tax	—	53,600
Mine stores and supplies, at cost	666,422	713,088
	2,964,780	3,069,838
	$54,242,371	54,194,979

See accompanying notes to financial statements.

AUDITORS' REPOR

We have examined the balance sheet of Mattagami Lake Mines Limited as of December 31, 1969 and the statements of net income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, except that the provision for income taxes and Quebec mining

Toronto, Ontario,
February 12, 1970.

DECEMBER 31, 1969 with comparative figures for 1968

LIABILITIES

	1969	1968
Current liabilities:		
Accounts payable and accrued liabilities	$ 913,163	746,487
Income taxes payable (note 4)	3,094,449	2,461,935
	4,007,612	3,208,422
Shareholders' equity:		
Capital stock (note 3):		
Shares of a par value of $1 each. Authorized 7,000,000 shares; issued 6,605,850 shares	6,605,850	6,600,900
Premium on shares	1,562,536	1,509,619
	8,168,386	8,110,519
Retained earnings (note 4)	42,066,373	42,876,038
	50,234,759	50,986,557
	$54,242,371	54,194,979

On behalf of the Board:

W. S. ROW, Director.

J. B. REDPATH, Director.

O THE SHAREHOLDERS

duties have not been computed on the tax allocation basis as explained in note 4, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

STATEMENT OF NET INCOME AND RETAINED EARNINGS

Year Ended December 31, 1969
with comparative figures for 1968

	1969	1968
Gross value of metals produced	$41,637,075	38,284,726
Less smelter and transportation charges	8,913,415	11,104,094
	32,723,660	27,180,632
Expenditures:		
Mine and zinc reduction plant expenses	12,816,848	11,356,675
Administration and corporate expenses	301,196	474,035
	13,118,044	11,830,710
	19,605,616	15,349,922
Depreciation and amortization:		
Buildings, plant and equipment	3,874,652	3,959,816
Preproduction and deferred development expenses	995,315	995,315
	4,869,967	4,955,131
Net operating income	14,735,649	10,394,791
Other income — interest	966,841	854,704
	15,702,490	11,249,495
Other charges:		
Exploration expenses	584,912	314,772
Share of net losses less net profits of subsidiaries (note 1)	497,878	675,940
	1,082,790	990,712
	14,619,700	10,258,783
Income taxes (note 4):		
Federal	4,285,000	2,250,000
Quebec mining duties	1,240,000	750,000
	5,525,000	3,000,000
Net income for the year	9,094,700	7,258,783
Retained earnings at beginning of year	42,876,038	45,517,735
	51,970,738	52,776,518
Cash dividends	9,904,365	9,900,480
Retained earnings at end of year	$42,066,373	42,876,038

See accompanying notes to financial statements.

NOTES
TO FINANCIAL STATEMENTS
December 31, 1969

1. The assets and liabilities and income and expense of the partly owned subsidiary companies have not been consolidated since four of them are part of a joint venture with four other mining companies and the other two companies are inactive mining companies which are not significant in the circumstances. However, the net losses less net profits since acquisition of the partly owned subsidiary companies have been included in the carrying values of the shares of and advances to these companies.

2. The company is party to an agreement whereby it will acquire a 60% interest in a corporation to be formed for the purpose of developing the property which the company has been exploring in the Sturgeon Lake area of Ontario and which is likely to involve substantial outlays.

3. Under the provisions of The Stock Option Plan, options on 3,000 shares were granted during the year and options on 4,950 were exercised for $57,867 cash of which $4,950 was attributed to capital stock and $52,917 to premium on shares. At December 31, 1969 options on 10,650 shares at $11.69 each and on 3,000 shares at $25.20 each were outstanding and may be exercised on or before August 6, 1978 and November 12, 1979 respectively.

4. The company claims capital cost allowances and depreciation for federal income tax and Quebec mining duty purposes in excess of the related amounts in the company's accounts and provides in its acounts only for taxes payable on its taxable income for the year.

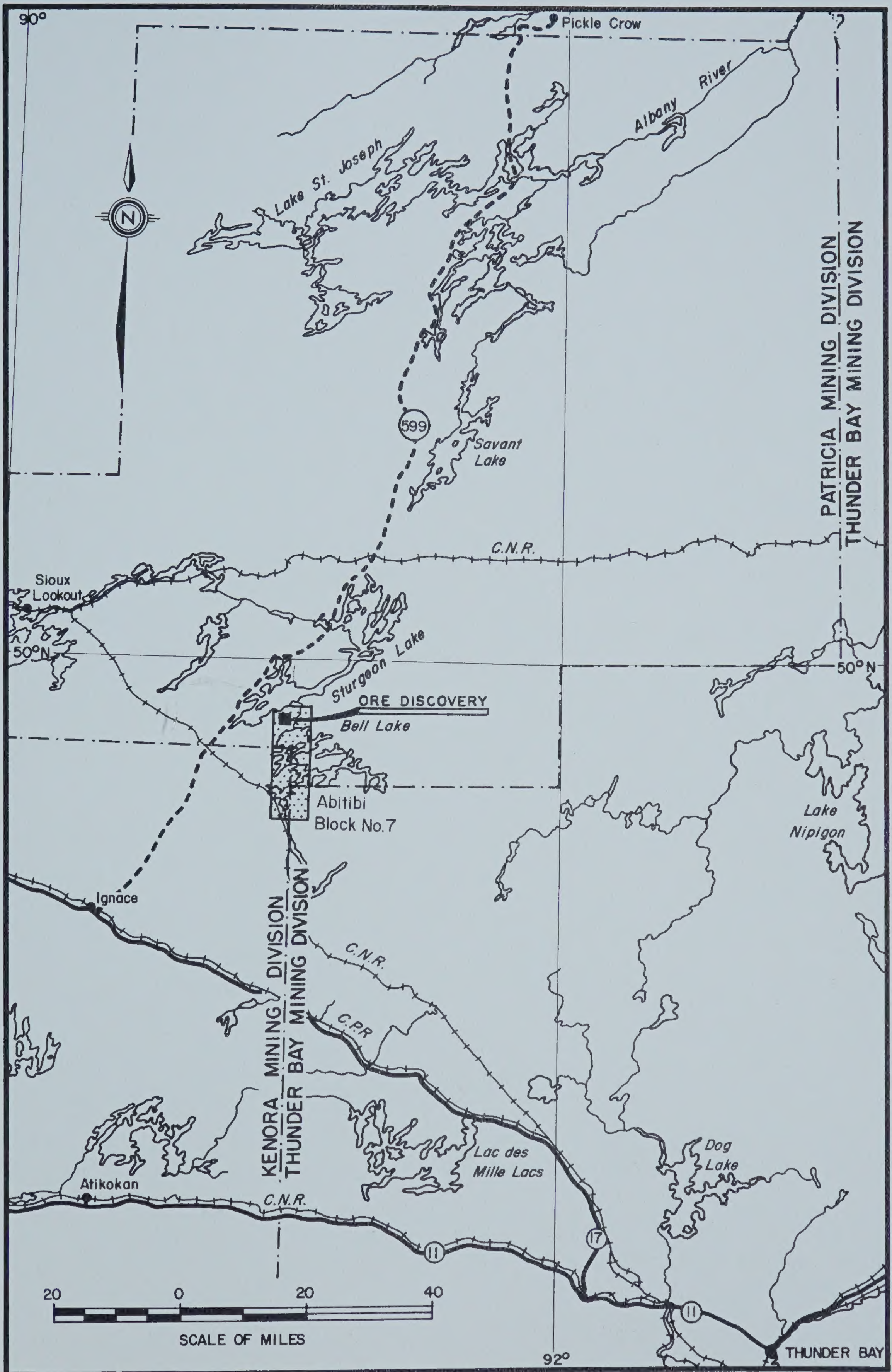
   This accounting treatment differs from the tax allocation basis by which the income tax provision is based on income reported in the accounts. If the tax allocation basis had been followed in 1969, net income would have been reduced by $1,600,000 (1968 — $1,640,000) and the cumulative amount of deferred tax credits to December 31, 1969 would have been $3,240,000.

5. The aggregate direct remuneration paid to directors and senior officers during 1969 was $127,050.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Year Ended December 31, 1969
with comparative figures for 1968

	1969	1968
Working capital, beginning of year	$19,012,232	19,613,398
Funds provided:		
From operations:		
Net profit	9,094,700	7,258,783
Charges not requiring cash expenditure:		
Depreciation and amortization	4,869,967	4,955,131
Share of net losses less net profits of subsidiaries	497,878	675,940
	14,462,545	12,889,854
Sale of fixed assets	835,963	—
Sale of capital stock	57,867	10,521
5% Refundable tax due within one year	53,600	562,819
Decrease in mine stores and supplies	46,666	12,872
	994,096	586,212
Total funds provided	15,456,641	13,476,066
Used as follows:		
Purchase of fixed assets (net):		
Buildings, plant and equipment:		
Mine site	523,945	246,273
Zinc plant	235,105	709,412
	759,050	955,685
Cash dividends	9,904,365	9,900,480
Purchase of investments (net)	1,508,060	2,908,547
Development expenses deferred	990,523	312,520
Total funds used	13,161,998	14,077,232
Addition to (reduction in) working capital	2,294,643	(601,166)
Working capital, end of year	$21,306,875	19,012,232

See accompanying notes to financial statements.



Location of new discovery, Northwestern Ontario

NMP
Printed in Canada.

MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

SEMI-ANNUAL REPORT TO SHAREHOLDERS

	Six Months Ended June 30 (Estimated)	
OPERATIONS	1969	1968
Tons milled	709,656	710,753
Zinc Concentrate Production — tons	113,218	114,275
Copper Concentrate Production — tons	14,481	14,535
Gross value of metal produced	$19,585,000	$18,534,000
Less: Smelter and transportation charges	4,673,000	5,172,000
Net revenue	14,912,000	13,362,000
Cost of production	6,342,000	5,723,000
Exploration expenses	284,000	162,000
Depreciation and amortization	2,562,000	2,485,000
	9,188,000	8,370,000
Net operating income	5,724,000	4,992,000
Interest income	455,000	401,000
Income before other charges and taxes	6,179,000	5,393,000
Write down of investments and advances	411,000	—
Income taxes and Quebec mining duties	2,100,000	425,000
	2,511,000	425,000
Net income	$ 3,668,000	$ 4,968,000
Net income per share	$ .56	$ .75

SOURCE AND APPLICATION OF FUNDS

		1969	1968
Source:	Operations — net income	$ 3,668,000	$ 4,968,000
	— depreciation and amortization	2,562,000	2,485,000
	— write down of investments and advances	411,000	—
	— other	13,000	75,000
		6,654,000	7,528,000
Application:	Dividends	3,961,000	3,960,000
	Fixed assets	349,000	511,000
	Deferred development and other	885,000	—
	Refundable tax	—	25,000
	Investments and advances	542,000	484,000
		5,737,000	4,980,000
Increase in working capital		$ 917,000	$ 2,548,000

August 1, 1969

W. S. Row, President.